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**WEST HILL COPPER
MINES LIMITED
1968 ANNUAL REPORT**

WEST HILL COPPER MINES LIMITED

Suite 4 — 1885 Wilson Avenue
Weston, Ontario

TO THE SHAREHOLDERS:

On behalf of your Board of Directors I am pleased to submit herewith the Annual Report for your Company together with Audited Financial Statements for the 12 months ended December 31, 1968.

It is gratifying to report that net income after taxes of your Company during the year was \$290,667 and that working capital increased by \$330,448. The Company as you will see from the balance sheet is in a strong financial position which will enable it to take advantage of future investment opportunities.

A report from Mr. W. G. Elliott, the Mine Manager of our mining operations at Darwin, California, is enclosed and you will note that our ore reserves remain about the same as at the beginning of the year after treating 63,232 tons of ore from the Mine. A net profit of \$102,171 was reported on the Darwin mining operations. It has been some time since a full report was prepared on the Darwin operations. Mr. J. D. Crossley, Geological Engineer, was commissioned to prepare such a report which is reproduced after that of Mr. Elliott's.

At our last Annual Meeting discussion took place respecting a possible diversification of our interests into real estate and industry. During the year a wholly owned subsidiary, Terraglen Estates Limited, was formed and this company has made an initial investment of \$87,753 in real estate. Your Directors are currently examining several opportunities for investment in industry and will remain on the look-out for any promising mining situations.

We have notified the Canadian Stock Exchange of our intentions and they have requested the Company to apply for listing on the industrial section of the Exchange. To this end Shareholders are being asked to enlarge the object powers of the Company in order that we may implement our broader proposals.

At the same time it is proposed to change our shares from a par value of \$1 to shares without par value. Collaterally we are recommending certain other technical changes to our balance sheet which shareholders will be asked to approve. A slight change in our corporate name will also be required as a result of the foregoing.

Enclosed you will find Notice calling the forthcoming Annual Meeting of Shareholders. If you are unable to attend, you are requested to sign and return the Instrument of Proxy so as to ensure your representation at the meeting.

Respectfully submitted,

On Behalf of the Board

JOHN FOGARTY,
President.

April 23, 1969.

WEST HILL COPPER MINES LIMITED

The President & Directors,
West Hill Copper Mines Limited,
Toronto, Ontario.

RE: West Hill Exploration, Inc.; MANAGER'S REPORT TO THE PRESIDENT & DIRECTORS

Gentlemen:

I am pleased to present my report on the Darwin Mine Division of West Hill Exploration, Inc., for the fiscal year ended December 31, 1968.

A total of 57,232 tons of ore was treated in the sulphide section of the concentrator, having an average of 3.31% lead, 7.00% zinc and 6.24 oz. per ton silver. The oxide circuit was operated intermittently and treated 6,000 tons of oxide ore and 2,574 tons of tungsten ore on a custom basis.

Concentrate shipments were resumed in May, following an extended smelter strike in the last half of 1967 and the first four months of 1968. Lead-silver concentrates totalling 4,299 tons were shipped to the smelter of International Smelting & Refining at Tooele, Utah, representing both current production and stockpiled material. Zinc concentrate shipments totalled 7,048 tons, derived from both stockpile and current production, and were shipped to the smelter of The Anaconda Company at Anaconda, Montana.

These concentrates contained:

zinc	7,964,287 pounds
lead	4,678,694 pounds
copper	116,118 pounds
cadmium	4,006 pounds
silver	419,359 ounces
gold	535 ounces

Development:

A total of 2,509 feet of development work was carried out during 1968, comprised of 785 feet of drifting and cross-cutting, and 1,715 feet of raising and sub-drifting.

Underground diamond drilling totalled 5,311 feet, and towards the end of the year, work was concentrated on the 1200 level of the Defiance mine. Results of this drilling was sufficiently encouraging to warrant development of the 1300 level.

Drilling is currently being carried out on the 800 level of the Thompson mine, to explore the downward extensions of the ore zones in this section of the mine. On completion of this drilling, a decision will be made to deepen the A209 winze to allow development of the 900 level.

Ore Reserves:

No ore reserve estimates have been made, owing to the irregular nature of the ore deposits, but it is considered that there is a year's ore supply in sight at the 1968 operating rate, and exploration work will be continued to allow replacement of current extraction.

I am pleased to record my appreciation for the co-operation and services of the Mine Staff and Employees and it has been a pleasure working with them.

Respectfully submitted,

W. J. ELLIOTT, M.A.Sc., P.Eng.,
ELLIOTT EXPLORATION SERVICES LTD.
General Manager, Darwin Mine Div.

February 25, 1969.

REPORT ON THE DARWIN MINES DIVISION
WEST HILL EXPLORATION, INC.
INYO COUNTY, CALIFORNIA, U.S.A.

Introduction

Located approximately 250 miles northeast of Los Angeles, California, the Darwin Mine is a lead-zinc-silver mine formerly operated by The Anaconda Company, and leased by West Hill Exploration from the latter company in February of 1967. Renovation of the sulphide circuit was completed at the beginning of April, and mining and milling commenced on April 9, 1967.

Since that time, the rate of production has been gradually increased from 150 tons per day to the present rate of 430 tons per operating day, of which 300 tons per day is represented by sulphide ore. The Oxide ore has been mined and milled only on a small scale, and is currently being supplemented by dump material, available from prior operations.

The Darwin operation has proven to be a financial success, repaying the cost of bringing the mine into production and recording a profit during 1968. The future profitability will be dependent upon metal prices, particularly silver, which has been quite volatile during the past year, and upon subsequent ore proven up through exploration and development work.

Location and Access

The property is located approximately 250 miles northeast of Los Angeles, and 39 miles by paved road from Lone Pine, the nearest supply center. A railway depot of the Southern Pacific Railroad Company is also located at Lone Pine, with loading facilities available.

The property is comprised of 49 patented and 77 unpatented claims totalling approximately 2,520 acres, in the County of Inyo, California, U.S.A., and which are described in Exhibit "A" accompanying this report.

Climate and Vegetation

The climate is characterized by scant rainfall, a prevalence of wind, and by a considerable diurnal and annual range in temperature. The normal annual rainfall would be in the order of 6 inches; the average January temperature would be 40 degrees F, and the average July temperature would be in the order of 82 degrees F. Temperatures do reach over 100 degrees F at times during the summer, but is not uncomfortably hot as experienced in the valley areas.

Vegetation is sparse, consisting of scattered creosote bush and some cacti and Joshua trees. Pinion pines and junipers grow in some places at altitudes in excess of 6,000 feet, except where the bedrock is basalt.

Topography

The area is within the western part of the Basin and Range physiographic province, in which parallel mountain ranges trending N10 degrees — 20 degrees W rise above intermontane plains. Narrow, deeply incised, easterly trending valleys are prominent topographic features. Altitudes range from 1,960 feet in the deepest canyon to 7,731 feet in the Inyo mountains. The property itself is at an elevation of approximately 5,200 feet.

History

The history of the area dates back to 1874, when oxidized silver-lead ore bodies were discovered at Darwin, and between 1875 and 1880, the rich near surface ores were mined extensively. The Town of

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ELLIOTT EXPLORATION SERVICES LTD.
General Manager, Darwin Mine Div.

February 25, 1969.

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History

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Power: Power is purchased from the City of Los Angeles Department of Water and Power and is supplied to the mine by a 40 mile, 33,000-volt power line, of which the Anaconda Company owns 17.3 miles.

Water Supply: Water is supplied from shallow wells in Darwin Wash, approximately three miles from the mine portal. At this location, four wells exist, and pumping is done from two of them, with a capacity reported to be 135 gallons per minute. The water is pumped to a 25,000-gallon storage tank at the well site, and then by 4 inch pipe to three 40,000-gallon tanks at the mine site. In addition there is a 135,000-gallon storage tank for emergency use.

Production

Operations commenced on a tune-up basis on April 9, 1967, with normal operating difficulties encountered during the initial months. The following table presents a summary of operating statistics since June 1967.

<u>Period</u>	<u>Tons Milled</u>	<u>Average Grade</u>		
		<u>% Pb</u>	<u>% Zn</u>	<u>oz/ton Ag</u>
1967 Jun 1 to Dec 31	21,141	4.5	6.6	6.4
1968 Jan 1 to Dec. 31	57,232	3.31	7.0	6.2
1969 Jan 1 to Mar 31 (sul)	19,948	2.82	7.0	6.3
1969 Jan 1 to Mar 31	5,896*	3.59	3.5	4.0

* — 4,423 tons of which was dump material

Concentrate shipments were resumed in May 1968, following an extended smelter strike in the last half of 1967 and the first four months of 1968. Lead-silver concentrates totalling 4,299 tons were shipped to the smelter of International Smelting & Refining at Tooele, Utah, representing both current production and stockpiled material. Zinc concentrates shipments totalled 7,043 tons, derived from both stockpile and current production, and were shipped to the smelter of The Anaconda Company at Anaconda, Montana.

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silver	419,359 Ounces
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Summary and Conclusions

The Darwin mine currently operating on a profitable basis, and future profitability will be dependent upon future metal prices, plus the ability to prove up additional ore through diamond drilling and development work. Lead and zinc prices have been strong over the past three months, and although silver prices have weakened, it is anticipated that prices will strengthen as the stockpile of silver in the U.S. Treasury is depleted.

A vigorous exploration and development program must be maintained, and it is anticipated that both the Defiance and Thompson shafts will have to be deepened at some future date, in order to maintain a future supply of ore.

Respectfully submitted,

J. D. CROSSLEY, B.A. Sc., P.Eng.
April 3, 1969.

CERTIFICATE

I, Joseph Daniel Crossley, of the Township of King, in the County of York, and Province of Ontario, hereby certify:

1. That I am a Geological Engineer and reside at R.R. #3, King City, Ontario.
2. That I was graduated from the University of Toronto with the degree of B.A.Sc. in 1954 and that I have been practicing my profession since that time.
3. That I am a member of the Association of Professional Engineers of the Province of Ontario.
4. That the information in the accompanying report is based upon California Division of Mines Special Report Number 51, maps and reports of the Anaconda Company and personal knowledge of the property throughout the past two years.
5. That I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of West Hill Copper Mines Limited, or West Hill Exploration, Inc., except that I have purchased 6,000 shares of West Hill Copper Mines Limited on the open market.

J. D. CROSSLEY, B.A. Sc., P.Eng.

DATED: This 3rd day of April 1969.

APPENDIX I

SCHEDULE OF ROYALTY PAYMENTS

(a) Concentrates:

<u>Combined Total Lead-Zinc Price Per Pound</u>	<u>Percentage of Net Smelter Returns</u>
All prices up to but not including 26¢	5%
At least 26¢ but less than 27¢	6%
At least 27¢ but less than 28¢	7%
At least 28¢ but less than 29¢	8%
At least 29¢ but less than 30¢	9%
At least 30¢ but less than 31¢	10%
At least 31¢ but less than 32¢	11%
At least 32¢ but less than 33¢	12%
At least 33¢ but less than 34¢	13%
At least 34¢ but less than 35¢	14%
All prices 35¢ or above	15%

(b) Direct Shipping Ores:

<u>Net Smelter Return Value Per Ton</u>	<u>Royalty</u>
Up to \$ 50.00	10%
\$ 50.00 to \$ 75.00	12½ %
\$ 75.00 to \$100.00	15%
\$100.00 or over	20%

Thorne,
Gunn,
Helliwell
& Christenson

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
West Hill Copper Mines Limited

We have examined the consolidated balance sheet of West Hill Copper Mines Limited and its subsidiaries as at December 31, 1968 and the consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Toronto, Canada,
February 14, 1969.

WEST HILL COPPER MINES LIMITED

(Incorporated under the laws of Ontario)

and its subsidiaries

CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1968

(with comparative figures at December 31, 1967)

	ASSETS	1968	1967
CURRENT ASSETS			
Cash		\$ 61,849	\$ 29,535
Short-term bank deposits		450,000	200,000
Marketable securities, at cost (quoted market value 1968, \$12,800; 1967, \$975)		13,463	1,521
Accounts receivable		40,575	11,405
Concentrates in transit (on hand in 1967) and settlements outstanding at estimated net realizable value, less payments received in advance		133,724	127,207
Mine and mill operating supplies, at cost		31,358	12,383
Prepaid expenses and deposits		19,060	13,138
		<u>750,029</u>	<u>395,189</u>
INVESTMENTS			
Shares, at cost (note 2)			128,250
Advances			13,250
			<u>141,500</u>
LAND HELD FOR RESALE and carrying charges thereon, at cost		<u>87,753</u>	
FIXED ASSETS			
Mining lease (note 3)			
Machinery and equipment, at cost		84,271	7,484
Less accumulated depreciation		17,814	1,400
		<u>66,457</u>	<u>6,084</u>
MINING CLAIMS AND OPTION			
Cost			10,577
Deferred exploration thereon			8,810
			<u>19,387</u>
INCORPORATION EXPENSES OF SUBSIDIARY		500	
		<u>\$ 904,739</u>	<u>\$ 562,160</u>
	LIABILITIES		
		1968	1967
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 79,088	\$ 73,713
Income taxes payable		3,200	
Principal due within one year on long-term debt		15,817	
		<u>98,105</u>	<u>73,713</u>
LONG-TERM DEBT			
Equipment finance contracts payable		24,136	
6% First mortgage due January 1, 1975, payable \$1,800 per annum including principal and interest		14,888	
8% Second mortgage due August 2, 1971, payable \$1,000 per annum on principal plus interest		31,700	
		<u>70,724</u>	
Less principal included in current liabilities		15,817	
		<u>54,907</u>	
	SHAREHOLDERS' EQUITY		
CAPITAL STOCK			
Authorized — 5,000,000 shares, par value \$1 each		2,900,005	2,900,005
Issued — 2,900,005 shares		2,025,000	2,025,000
Less discount thereon		875,005	875,005
		<u>75,000</u>	<u>75,000</u>
CONTRIBUTED SURPLUS from sale of donated shares		950,005	950,005
		<u>198,278</u>	<u>461,558</u>
DEFICIT		751,727	488,447
		<u>\$ 904,739</u>	<u>\$ 562,160</u>

Approved by the Board:

JOHN FOGARTY, Director.

R. J. DONOVAN, Director.

WEST HILL COPPER MINES LIMITED

and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
Production of concentrates	\$1,414,455	\$ 626,037
Custom milling	16,039	
	<u>1,430,494</u>	<u>626,037</u>
Operating expenses	1,328,323	639,679
	<u>102,171</u>	<u>(13,642)</u>
Profit (loss) on mining operations		
OTHER EXPENSES		
Outside exploration	1,516	13,492
Administration	22,086	19,893
Loss on sale of marketable securities		2,553
	<u>23,602</u>	<u>35,938</u>
Income from investments	15,435	12,134
	<u>8,167</u>	<u>23,804</u>
Income (loss) before income taxes and extraordinary items	94,004	(37,446)
Income taxes	19,500	
	<u>74,504</u>	<u>(37,446)</u>
Income (loss) before extraordinary items		
EXTRAORDINARY ITEMS		
Income tax reduction realized on carry-forward of loss from prior years	16,300	
Profit on sale of investment (note 2)	199,863	
	<u>216,163</u>	
Net income (loss) for year	<u>290,667</u>	<u>\$ (37,446)</u>
EARNINGS PER SHARE		
Income (loss) before extraordinary items025	(.013)
Extraordinary items075	
	<u>.100</u>	<u>(.013)</u>

CONSOLIDATED STATEMENT OF DEFICIT

Year ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
Deficit at beginning of year	\$ 461,558	\$ 423,596
ADD		
Cost of mining claims and option abandoned	18,577	1
Exploration expenditures thereon	8,810	515
	<u>488,945</u>	<u>424,112</u>
Deduct net income (loss) for year	290,667	(37,446)
Deficit at end of year	<u>\$ 198,278</u>	<u>\$ 461,558</u>

WEST HILL COPPER MINES LIMITED

and its subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1968

(with comparative figures for 1967)

SOURCE OF FUNDS	1968	1967
Income before extraordinary items	\$ 74,504	
Add		
Income tax reduction	16,300	
Depreciation not involving a current outlay of funds	16,414	
	107,218	
Equipment finance contracts	46,530	
Mortgages on land	47,032	
Proceeds from sale of investment	328,113	
Recovery of advances	13,250	
	542,143	
 APPLICATION OF FUNDS		
Loss for year		\$ 37,446
Deduct items not involving a current outlay of funds		
Depreciation		989
Property examination		1,727
		2,716
		34,730
Advances		13,250
Purchase of land and carrying costs thereon	87,753	
Additions to fixed assets	76,787	2,546
Purchase of mining claims	8,000	1,000
Reduction of non-current portion of long-term debt (including payments of \$22,838)	38,655	
Incorporation expenses of subsidiary	500	
	211,695	51,526
Increase (decrease) in working capital	330,448	(51,526)
Working capital at beginning of year	321,476	373,002
Working capital at end of year	\$ 651,924	\$ 321,476

WEST HILL COPPER MINES LIMITED

and its subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 1968

1. BASIS OF CONSOLIDATION

The accounts of the company's wholly owned subsidiaries West Hill Exploration, Inc. (incorporated under the provisions of the Oregon Business Corporations Act) and Terraglen Estates Limited (incorporated August 2, 1968 under the laws of Ontario) are consolidated in these financial statements.

The accounts of West Hill Exploration, Inc. are maintained in United States dollars and have been converted to Canadian dollars in these financial statements.

2. INVESTMENT IN GENERAL DEEP HOLE BORING & TURNING LIMITED

During the year, this subsidiary (50.05% interest) amalgamated with two other companies to form Donlee Manufacturing Industries Limited. West Hill received 23,376 common shares of Donlee in exchange for its shares in General Deep Hole and subsequently sold them for \$328,113 realizing a profit of \$199,863.

3. MINING LEASE

By agreement dated February 15, 1967, the company obtained a lease on certain mining claims in the County of Inyo, State of California, for a period of five years with an option to renew for an additional five year period.

The company has undertaken to:

- (1) Pay a monthly rental for machinery and equipment at a rate, based on production, of \$1,000 minimum to \$3,000 maximum per month. Under the terms of the contract, the company has offset its costs of bringing the mill into production of approximately \$25,000 against its rental obligation.
- (2) Pay a royalty on concentrates and ore shipped at varying percentages of net smelter returns.

4. LONG-TERM DEBT

Principal instalments due within each of the next five years are as follows:

1969	\$ 7,111
1970	3,263
1971	32,023
1972	2,388
1973	2,456

5. INCOME TAXES

A portion of losses of West Hill Exploration, Inc. for the years 1966 and 1967 has been applied in reduction of taxable income for United States Federal income tax for 1968 and the resulting current tax reduction is reflected as an extraordinary item in the statement of income.

Additional losses of approximately \$90,650 are available to offset otherwise taxable income of future years.

6. OTHER STATUTORY INFORMATION

Provision for depreciation of machinery and equipment owned by West Hill Exploration Inc. amounted to \$16,414 for 1968 (1967, \$989). No provision has been made for depreciation of equipment owned by West Hill Copper which is carried on the books of that company at cost of \$2,546.

Interest on long-term debt for 1968 amounted to \$3,159 of which \$1,735 has been charged to income and \$1,424 included in the carrying cost of land.

7. COMPARATIVE FIGURES

Certain figures for 1967 have been reclassified to conform with presentation adopted in 1968.

